

# House File 131 - Reprinted

HOUSE FILE 131  
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HSB 35)

(As Amended and Passed by the House March 6, 2023)

## A BILL FOR

1 An Act relating to matters under the purview of the credit  
2 union division of the department of commerce.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 12C.16, subsection 1, paragraph b,  
2 subparagraph (1), unnumbered paragraph 1, Code 2023, is amended  
3 to read as follows:

4 The credit union may deposit, maintain, pledge and assign  
5 for the benefit of the public officer in the manner provided  
6 in this chapter, securities approved by the public officer,  
7 the market value of which is not less than ~~one hundred ten one~~  
8 hundred percent of the total deposits of public funds placed  
9 by that public officer in the credit union, less the amount  
10 of deposits that are federally insured. The securities shall  
11 consist of any of the following:

12 Sec. 2. Section 12C.16, subsection 1, paragraph b,  
13 subparagraph (1), subparagraph division (d), Code 2023, is  
14 amended to read as follows:

15 (d) ~~To the extent of the guarantee, loans, obligations, or~~  
16 ~~nontransferable~~ Nontransferable letters of credit upon which  
17 the payment of principal and interest is fully secured or  
18 guaranteed by the United States of America, ~~or an agency or~~  
19 ~~instrumentality of the United States of America, a corporate~~  
20 ~~central credit union organized under~~ section 533.213 the  
21 national cooperative bank, the federal home loan bank of Des  
22 Moines, Iowa, or a any corporate credit union whose activities  
23 are capital level remains well-capitalized pursuant to 12  
24 C.F.R. pt. 704 and is subject to regulation by the national  
25 credit union administration, and the rating of any one of such  
26 credit unions remains within the two highest classifications  
27 of prime established by at least one of the standard rating  
28 services approved by the superintendent of banking by rule  
29 pursuant to chapter 17A, or any other entity approved by the  
30 treasurer of state. The treasurer of state shall adopt rules  
31 pursuant to chapter 17A to implement this section.

32 Sec. 3. Section 12C.16, Code 2023, is amended by adding the  
33 following new subsection:

34 NEW SUBSECTION. 3. If the credit rating of the national  
35 cooperative bank or the federal home loan bank of Des Moines,

1 Iowa, is lowered to a rating not within the two highest  
 2 classifications of prime as established by at least one of  
 3 the standard rating services approved by the superintendent  
 4 of banking by rule pursuant to chapter 17A, or a corporate  
 5 credit union's capital levels fall below the well-capitalized  
 6 standard in 12 C.F.R. pt. 704, then the national cooperative  
 7 bank, federal home loan bank of Des Moines, Iowa, or corporate  
 8 credit union shall immediately notify the treasurer of state  
 9 and each credit union that is securing public deposits by use  
 10 of a letter of credit issued by the bank or corporate credit  
 11 union. Each credit union, upon such a notification from the  
 12 national cooperative bank, federal home loan bank of Des  
 13 Moines, Iowa, corporate credit union, or treasurer of state,  
 14 shall immediately return the deposits, with interest accrued to  
 15 the date of notification, to the public units that are secured  
 16 by letter of credit.

17 Sec. 4. Section 12C.17, subsection 1, paragraph c, Code  
 18 2023, is amended to read as follows:

19 c. The securities shall be deposited with the federal  
 20 reserve bank, national cooperative bank, the federal home loan  
 21 bank of Des Moines, Iowa, ~~a corporate central credit union~~  
 22 ~~organized under [section 533.213](#)~~, or a corporate credit union  
 23 whose activities are subject to regulation by the national  
 24 credit union administration pursuant to a bailment agreement  
 25 or a pledge custody agreement.

26 Sec. 5. Section 533.205, subsection 8, Code 2023, is amended  
 27 to read as follows:

28 ~~8. A credit union director shall not receive compensation~~  
 29 ~~for service as a director. However, a director may be~~  
 30 ~~reimbursed~~ Subject to its bylaws, a credit union may provide  
 31 compensation to directors for their service and reimburse  
 32 directors for reasonable expenses directly related to such  
 33 service.

34 Sec. 6. Section 533.205, Code 2023, is amended by adding the  
 35 following new subsections:

1     NEW SUBSECTION. 10. A director of a state credit union  
2 shall not receive terms or be paid a rate of interest on  
3 deposits by a state credit union of which the person is a  
4 director that are more favorable than that provided to any  
5 other member under similar circumstances. Any waiver of  
6 ordinary or customary charges related to deposit accounts shall  
7 not violate this subsection.

8     NEW SUBSECTION. 11. A director of a state credit union  
9 shall not purchase any assets from, lease any assets from, sell  
10 any assets to, or lease any assets to a state credit union  
11 of which the person is a director except upon terms not less  
12 favorable to the state credit union than those offered to or  
13 by other persons. All purchases from, leases from, sales to,  
14 and leases to a director shall receive prior approval from the  
15 majority of the board of directors voting in the absence of the  
16 interested director.

17     NEW SUBSECTION. 12. A director of a state credit union  
18 shall not receive anything of value, other than compensation  
19 and expense reimbursement authorized by this section, for  
20 procuring, or attempting to procure, any loan or extension  
21 of credit to the state credit union or for procuring, or  
22 attempting to procure, an investment by the state credit union.

23     Sec. 7. Section 533.206, Code 2023, is amended to read as  
24 follows:

25     **533.206 Meetings of the board.**

26     1. The board of directors shall hold at least six regular  
27 board meetings each calendar year. No more than one regular  
28 meeting shall be held in any one calendar month, nor shall  
29 a credit union go longer than two consecutive months without  
30 holding a board meeting. If a credit union has an individual  
31 rating of a four or five, or a composite rating of three, four,  
32 or five under the Iowa regulatory risk rating system, the board  
33 shall meet monthly.

34     2. With respect to a newly chartered credit union, the board  
35 of directors shall meet not less frequently than monthly during

1 each of the first five years of the credit union's existence.

2     3. Unless the bylaws provide otherwise, the board of  
3 directors may permit any and all directors to participate in  
4 all except one meeting per year of the board of directors  
5 through the use of any means of communication by which all  
6 directors participating in the meeting may simultaneously hear  
7 each other and communicate during the meeting. A director  
8 participating in a meeting by this means is deemed to be  
9 present at the meeting.

10     Sec. 8. Section 533.210, subsections 1 and 2, Code 2023, are  
11 amended to read as follows:

12     1. The board of directors may expel ~~any a~~ member of a state  
13 credit union who has ~~failed to do either~~ engaged in any of the  
14 following:

15     a. Carry Failing to carry out the member's obligations to  
16 the state credit union.

17     b. Comply Failing to comply with the state credit union's  
18 bylaws or policies.

19     c. Being physically or verbally abusive to credit union  
20 members or staff.

21     d. Committing fraud, attempted fraud, or other illegal  
22 conduct that a member has been convicted of in relation to the  
23 credit union.

24     2. A member of a state credit union may be expelled by a  
25 majority vote of the board of directors at a regular or special  
26 meeting of the board.

27     a. An expelled member may request a hearing before the  
28 ~~membership of the state credit union~~ superintendent, which  
29 shall be held within ~~sixty~~ ninety days of an expelled member's  
30 request.

31     b. At the hearing, the ~~membership~~ superintendent may  
32 reinstate the expelled member ~~by majority vote, upon terms and~~  
33 ~~conditions prescribed at the hearing~~ if the credit union fails  
34 to prove the member was noncompliant with the obligations in  
35 this section.

1     Sec. 9. Section 533.304, subsection 2, Code 2023, is amended  
2 to read as follows:

3     2. A state credit union may invest in ~~either~~ any of the  
4 following to the extent that the total investments under this  
5 section shall not be more than five percent of the state credit  
6 union's assets:

7     a. Shares or equity interests in venture capital funds that  
8 agree to invest an amount equal to at least fifty percent of  
9 the state credit union's investment in small businesses having  
10 their principal offices within this state and having either  
11 more than one-half of their assets within this state or more  
12 than one-half of their employees employed within this state.

13     b. Shares or equity interests in small businesses having  
14 their principal offices within this state and having either  
15 more than one-half of their assets within this state or more  
16 than one-half of their employees employed within this state. A  
17 state credit union shall not invest in more than twenty percent  
18 of the total capital and surplus of any one small business  
19 under this paragraph.

20     c. Shares or equity interests of any corporation or  
21 other entity which develops or utilizes new or innovative  
22 technologies that are or may be applicable to the provision of  
23 financial services or products, subject to the approval of the  
24 superintendent.